Hurdles for IT Industry on Exports to Japan

1332. SHIR K. KALAVENKATA RAO: Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) the hurdles faced by Indian LT. Industry in IT exports to Japan; and

(b) the action proposed to remove the hurdles?

THE MINISTER OP PARLIAMENTARY AFFAIRS AND MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): (a) and (b) Subsidiaries of Indian Software Companies doing business in Japan are being subjected to 20% withholding tax on the payments made to the parent company in India. These payments are *in* respect of software exported by the parent to the subsidiary in Japan either after its development in India or by developing the software by deputing personnel to Japan. The Japanese authorities have treated such payments as rendering of "technical services" and have invoked the Article on "Fees for Technical Services" of the Double Taxation Avoidance Agreement (DTAA) between India and Japan.

The Government of India is not in agreement with the interpretation of the Japanese authorities in that, in its opinion it is the sale of a product and consequently not liable to income tax. The matter has accordingly been taken up with the Japanese authorities for resolving this issue.

Safeguard against Cyber Malpractices

1333. SHRI KARTAR SINGH DUGGAL: Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) how Government would safeguard against the erosion of privacy, cyber smearing and economic malpractices as the cyber legislation has been approved by the Parliament?

THE MINISTER OF PARLIAMENTARY AFFAIRS AND MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): Information Technology Act, 2000 provides for legal recognition for transactions carried out by means of electronic data interchange and other means of electronic data interchange and other means of electronic communication, commonly, referred to as electronic commerce. The provisions in the IT Act focus primarily on the evidentiary value of the electronic communication. Accordingly, the core Acts like Indian Evidence